



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31 , 2010
OF THE CONDITION AND AFFAIRS OF THE

PHYSICIANS HEALTH PLAN OF MID-MICHIGAN FAMILYCARE

NAIC Group Code 3408 , 3408 NAIC Company Code 11537 Employer's ID Number 36-4497604
(Current Period) (Prior Period)

Organized under the Laws of Michigan , State of Domicile or Port of Entry Michigan

Country of Domicile US

Licensed as business type:
Life , Accident and Health [] Property / Casualty [] Hospital , Medical and Dental Service or Indemnity []
Dental Service Corporation [] Vision Service Corporation [] Other []
Health Maintenance Organization [X] Is HMO Federally Qualified? Yes () No (X)

Incorporated / Organized May 23 , 2002 Commenced Business January 1 , 2003

Statutory Home Office 1400 East Michigan Avenue , Lansing , Michigan 48912
(Street and Number , City or Town , State and Zip Code)

Main Administrative Office 1400 East Michigan Avenue , Lansing , Michigan 48912 517-364-8400
(Street and Number , City or Town , State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1400 East Michigan Avenue , Lansing , Michigan 48912
(Street and Number , City or Town , State and Zip Code)

Primary Location of Books and Records 1400 East Michigan Avenue , Lansing , Michigan 48912
(Street and Number , City or Town , State and Zip Code)
517-364-8400
(Area Code) (Telephone Number)

Internet Website Address www.phpmm.org

Statutory Statement Contact Jackie Eddy 517-364-8400
(Name) (Area Code) (Telephone Number) (Extension)
jackie.eddy@phpmm.org 517-364-8407
(E-Mail Address) (Fax Number)

OFFICERS
Marylee Davis , PhD (Chair Person)
Scott Wilkerson (Secretary)
David Vis (Treasurer)

OTHER OFFICERS

DIRECTORS OR TRUSTEES
Marylee Davis , PhD
Scott Wilkerson
Gwen Hall#

State of Michigan }
County of Ingham } SS

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Marylee Davis , PhD Chair Person Scott Wilkerson Secretary David Vis Treasurer

Subscribed and sworn to before me this day of February, 2011

a. Is this an original filing? Yes (X) No ()

b. If no: 1. State the amendment number 2. Date filed 3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Column 1 minus Column 2)	4 Net Admitted Assets
1. Bonds (Schedule D)				
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	5,090,621		5,090,621	4,667,115
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$ (1,173,362), Schedule E - Part 1), cash equivalents (\$, Schedule E - Part 2) and short-term investments (\$ 8,575,983 ,Schedule DA)	7,402,621		7,402,621	8,415,802
6. Contract loans (including \$ premium notes)				
7. Derivatives				
8. Other invested assets (Schedule BA)				
9. Receivables for securities				
10. Securities lending reinvested collateral assets				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Line 1 through Line 11)	12,493,242		12,493,242	13,082,917
13. Title plants less \$ charged off (for Title insurers only)				
14. Investment income due and accrued	144		144	939
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	29,752		29,752	505,661
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)				
15.3 Accrued retrospective premiums				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon				
18.2 Net deferred tax asset				
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software				
21. Furniture and equipment, including health care delivery assets (\$)				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$ 204,873) and other amounts receivable	422,033	64,576	357,457	718,273
25. Aggregate write-ins for other than invested assets				
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	12,945,171	64,576	12,880,595	14,307,790
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
28. Total (Line 26 and Line 27)	12,945,171	64,576	12,880,595	14,307,790
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)				
2501.				
2502.				
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)				

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$ reinsurance ceded)	3,413,355		3,413,355	4,574,034
2. Accrued medical incentive pool and bonus amounts	127,510		127,510	189,449
3. Unpaid claims adjustment expenses	62,271		62,271	81,628
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserve				
7. Aggregate health claim reserves				
8. Premiums received in advance	299,653		299,653	500,355
9. General expenses due or accrued	1,408,514		1,408,514	1,653,642
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)				
15. Amounts due to parent, subsidiaries and affiliates	974,838		974,838	671,360
16. Derivatives				
17. Payable for securities	18,011		18,011	5,231
18. Payable for securities lending				
19. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)				
20. Reinsurance in unauthorized companies				
21. Net adjustments in assets and liabilities due to foreign exchange rates				
22. Liability for amounts held under uninsured plans				
23. Aggregate write-ins for other liabilities (including \$ current)				
24. Total liabilities (Line 1 to Line 23)	6,304,152		6,304,152	7,675,699
25. Aggregate write-ins for special surplus funds	X X X	X X X		
26. Common capital stock	X X X	X X X		
27. Preferred capital stock	X X X	X X X		
28. Gross paid in and contributed surplus	X X X	X X X		
29. Surplus notes	X X X	X X X		
30. Aggregate write-ins for other than special surplus funds	X X X	X X X		
31. Unassigned funds (surplus)	X X X	X X X	6,576,443	6,632,091
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)	X X X	X X X		
32.2 shares preferred (value included in Line 27 \$)	X X X	X X X		
33. Total capital and surplus (Line 25 to Line 31 minus Line 32)	X X X	X X X	6,576,443	6,632,091
34. Total liabilities, capital and surplus (Line 24 and Line 33)	X X X	X X X	12,880,595	14,307,790
DETAILS OF WRITE-INS				
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)				
2501.	X X X	X X X		
2502.	X X X	X X X		
2503.	X X X	X X X		
2598. Summary of remaining write-ins for Line 25 from overflow page	X X X	X X X		
2599. Totals (Line 2301 through Line 2503 plus Line 2598) (Line 25 above)	X X X	X X X		
3001.	X X X	X X X		
3002.	X X X	X X X		
3003.	X X X	X X X		
3098. Summary of remaining write-ins for Line 30 from overflow page	X X X	X X X		
3099. Totals (Line 3001 through Line 3003 plus Line 3098) (Line 30 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	222,690	213,327
2. Net premium income (including \$ non-health premium income)	X X X	54,827,945	54,158,471
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		(559,016)
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Line 2 to Line 7)	X X X	54,827,945	53,599,455
Hospital and Medical:			
9. Hospital/medical benefits		32,813,386	31,288,801
10. Other professional services		2,186,801	2,649,654
11. Outside referrals			
12. Emergency room and out-of-area		4,490,482	4,721,679
13. Prescription drugs		7,123,203	7,119,225
14. Aggregate write-ins for other hospital and medical		326,506	413,467
15. Incentive pool, withhold adjustments, and bonus amounts		145,795	180,083
16. Subtotal (Line 9 to Line 15)		47,086,173	46,372,909
Less:			
17. Net reinsurance recoveries			8,189
18. Total hospital and medical (Line 16 minus Line 17)		47,086,173	46,364,720
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 834,713 cost containment expenses		1,230,189	1,193,250
21. General administrative expenses		7,125,224	6,077,613
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)			
23. Total underwriting deductions (Line 18 through Line 22)		55,441,586	53,635,583
24. Net underwriting gain or (loss) (Line 8 minus Line 23)	X X X	(613,641)	(36,128)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		357,427	193,829
26. Net realized capital gains (losses) less capital gains tax of \$		2,233	(95,810)
27. Net investment gains (losses) (Line 25 plus Line 26)		359,660	98,019
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Line 24 plus Line 27 plus Line 28 plus Line 29)	X X X	(253,981)	61,891
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Line 30 minus Line 31)	X X X	(253,981)	61,891
DETAILS OF WRITE-INS			
0601. QAAP	X X X		(559,016)
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)	X X X		(559,016)
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Line 0701 through Line 0703 plus Line 0798) (Line 7 above)	X X X		
1401. OTHER MEDICAL		326,506	413,467
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)		326,506	413,467
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (continued)

CAPITAL AND SURPLUS ACCOUNT	1	2
	Current Year	Prior Year
33. Capital and surplus prior reporting year	6,632,091	5,866,218
34. Net income or (loss) from Line 32	(253,981)	61,891
35. Change in valuation basis of aggregate policy and claims reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	66,649	606,366
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	131,684	97,616
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Tranferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		
48. Net change in capital and surplus (Line 34 to Line 47)	(55,648)	765,873
49. Capital and surplus end of reporting year (Line 33 plus Line 48)	6,576,443	6,632,091
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Line 4701 through Line 4703 plus Line 4798) (Line 47 above)		

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	55,103,152	54,121,957
2. Net investment income	358,222	195,338
3. Miscellaneous income	24,145	(705,744)
4. Total (Line 1 through Line 3)	55,485,519	53,611,551
5. Benefit and loss related payments	47,840,436	45,569,190
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	8,619,898	5,908,538
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)		
10. Total (Line 5 through Line 9)	56,460,334	51,477,728
11. Net cash from operations (Line 4 minus Line 10)	(974,815)	2,133,823
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds		
12.2 Stocks	34,337	4,534,570
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash and short-term investments		
12.7 Miscellaneous proceeds	12,780	71,828
12.8 Total investment proceeds (Line 12.1 through Line 12.7)	47,117	4,606,398
13. Cost of investments acquired (long-term only):		
13.1 Bonds		
13.2 Stocks	388,962	4,793,291
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Line 13.1 through Line 13.6)	388,962	4,793,291
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(341,845)	(186,893)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	303,479	(66,836)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	303,479	(66,836)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(1,013,181)	1,880,094
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	8,415,802	6,535,708
19.2 End of year (Line 18 plus Line 19.1)	7,402,621	8,415,802
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001		
20.0002		
20.0003		
20.0004		
20.0005		
20.0006		
20.0007		
20.0008		
20.0009		
20.0010		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	54,827,945							54,827,945		
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$ medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7. Total revenues (Line 1 through Line 6)	54,827,945							54,827,945		
8. Hospital/medical benefits	32,813,386							32,813,386		X X X
9. Other professional services	2,186,801							2,186,801		X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area	4,490,482							4,490,482		X X X
12. Prescription drugs	7,123,203							7,123,203		X X X
13. Aggregate write-ins for other hospital and medical	326,506							326,506		X X X
14. Incentive pool, withhold adjustments, and bonus amounts	145,795							145,795		X X X
15. Subtotal (Line 8 through Line 14)	47,086,173							47,086,173		X X X
16. Net reinsurance recoveries										X X X
17. Total hospital and medical (Line 15 minus Line 16)	47,086,173							47,086,173		X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$ 834,713 cost containment expenses	1,230,189							1,230,189		
20. General administrative expenses	7,125,224							7,125,224		
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. Total underwriting deductions (Line 17 through Line 22)	55,441,586							55,441,586		
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(613,641)							(613,641)		
DETAILS OF WRITE-INS										
0501.										X X X
0502.										X X X
0503.										X X X
0598. Summary of remaining write-ins for Line 5 from overflow page										X X X
0599. Total (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)										X X X
0601.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 6 from overflow page		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699. Total (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301. OTHER MEDICAL	326,506							326,506		X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. Total (Line 1301 through Line 1303 plus Line 1398) (Line 13 above)	326,506							326,506		X X X

UNDERWRITING AND INVESTMENT EXHIBIT

Part 1 - Premiums

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Column 1 plus Column 2 minus Column 3)
1. Comprehensive (hospital and medical)				
2. Medicare Supplement				
3. Dental only				
4. Vision only				
5. Federal Employees Health Benefits Plan				
6. Title XVIII - Medicare				
7. Title XIX - Medicaid	54,932,779		104,834	54,827,945
8. Other health				
9. Health subtotal (Line 1 through Line 8)	54,932,779		104,834	54,827,945
10. Life				
11. Property/casualty				
12. Totals (Line 9 to Line 11)	54,932,779		104,834	54,827,945

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	47,712,241							47,712,241		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	47,712,241							47,712,241		
2. Paid medical incentive pools and bonuses	123,303							123,303		
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	3,413,355							3,413,355		
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	3,413,355							3,413,355		
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year	127,510							127,510		
6. Net healthcare receivables (a)	(388,816)							(388,816)		
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	4,574,034							4,574,034		
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	4,574,034							4,574,034		
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year	189,449							189,449		
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	46,940,378							46,940,378		
12.2 Reinsurance assumed										
12.3 Reinsurance ceded										
12.4 Net	46,940,378							46,940,378		
13. Incurred medical incentive pools and bonuses	61,364							61,364		

(a) Excludes \$ loans or advances to providers not yet expensed

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct										
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net										
2. Incurred but Unreported:										
2.1 Direct	3,413,355							3,413,355		
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	3,413,355							3,413,355		
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS:										
4.1 Direct	3,413,355							3,413,355		
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	3,413,355							3,413,355		

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Column 1 plus Column 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental Only						
4. Vision Only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid	1,864,452	45,847,789	22,521	3,390,834	1,886,973	4,574,034
8. Other health						
9. Health subtotal (Line 1 through Line 8)	1,864,452	45,847,789	22,521	3,390,834	1,886,973	4,574,034
10. Healthcare receivables (a)	1,029	260,987			1,029	735,264
11. Other non-health						
12. Medical incentive pools and bonus amounts	123,303		7,597	119,913	130,900	189,449
13. Totals (Line 9 minus Line 10 plus Line 11 plus Line 12)	1,986,726	45,586,802	30,118	3,510,747	2,016,844	4,028,219

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	3,656	6			
2. 2006	26,130	4,966	63	3	
3. 2007	X X X	30,854	4,563	56	(101)
4. 2008	X X X	X X X	36,769	2,998	(80)
5. 2009	X X X	X X X	X X X	42,359	2,168
6. 2010	X X X	X X X	X X X	X X X	45,848

Section B - Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	33,964	33,979	36,945	36,994	36,994
2. 2006	31,949	36,930	36,994	40,901	40,901
3. 2007	X X X	36,201	40,837	45,493	45,493
4. 2008	X X X	X X X	40,839	40,951	40,964
5. 2009	X X X	X X X	X X X	46,977	49,644
6. 2010	X X X	X X X	X X X	X X X	49,359

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XIX Medicaid

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2006	35,740	31,162	1,052	3.376	32,214	90.134			32,214	90.134
2. 2007	41,977	35,473	1,001	2.822	36,474	86.890			36,474	86.890
3. 2008	46,314	36,769	1,103	3.000	37,872	81.772	(5)		37,867	81.761
4. 2009	54,254	42,359	1,193	2.816	43,552	80.274	35	1	43,588	80.341
5. 2010	54,933	45,848	1,238	2.700	47,086	85.715	3,511	61	50,658	92.218

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	3,656	6			
2. 2006	26,130	4,966	63	3	
3. 2007	X X X	30,854	4,563	56	(101)
4. 2008	X X X	X X X	36,769	2,998	(80)
5. 2009	X X X	X X X	X X X	42,359	2,168
6. 2010	X X X	X X X	X X X	X X X	45,848

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2006	2 2007	3 2008	4 2009	5 2010
1. Prior	33,964	33,979	36,945	36,994	36,994
2. 2006	31,949	36,930	36,994	40,901	40,901
3. 2007	X X X	36,201	40,837	45,493	45,493
4. 2008	X X X	X X X	40,839	40,951	40,964
5. 2009	X X X	X X X	X X X	46,977	49,644
6. 2010	X X X	X X X	X X X	X X X	49,359

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2006	35,740	31,162	1,052	3.376	32,214	90.134			32,214	90.134
2. 2007	41,977	35,473	1,001	2.822	36,474	86.890			36,474	86.890
3. 2008	46,314	36,769	1,103	3.000	37,872	81.772	(5)		37,867	81.761
4. 2009	54,254	42,359	1,193	2.816	43,552	80.274	35	1	43,588	80.341
5. 2010	54,933	45,848	1,238	2.700	47,086	85.715	3,511	61	50,658	92.218

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$ for investment income)									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)									
7. Reinsurance ceded									
8. Totals (Net) (Page 3, Line 4)									
CLAIM RESERVE									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 7)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page									
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)									

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ for occupancy of own building)	35,025	16,482	147,361		198,868
2. Salaries, wages and other benefits	264,857	124,639	1,114,349		1,503,845
3. Commissions (less \$ ceded plus \$ assumed)					
4. Legal fees and expenses	225	106	946		1,277
5. Certifications and accreditation fees	1,211	570	5,096		6,877
6. Auditing, actuarial and other consulting services	94,289	44,371	396,707		535,367
7. Traveling expenses	142	67	599		808
8. Marketing and advertising	17,613	8,288	74,104		100,005
9. Postage, express, and telephone	4,043	1,903	17,011		22,957
10. Printing and office supplies	22,349	10,517	94,032		126,898
11. Occupancy, depreciation and amortization					
12. Equipment					
13. Cost or depreciation of EDP equipment and software					
14. Outsourced services including EDP, claims, and other services	373,640	175,831	1,572,038		2,121,509
15. Boards, bureaus and association fees					
16. Insurance, except on real estate	6,401	3,012	26,931		36,344
17. Collection and bank service charges	10,008	4,710	42,109		56,827
18. Group service and administration fees					
19. Reimbursements by uninsured accident and health plans					
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes			3,568,472		3,568,472
23.2 State premium taxes					
23.3 Regulator authority licenses and fees					
23.4 Payroll taxes					
23.5 Other (excluding federal income and real estate taxes)	4,609	2,169	19,390		26,168
24. Investment expenses not included elsewhere				18,307	18,307
25. Aggregate write-ins for expenses	300	2,812	46,078		49,190
26. Total expenses incurred (Line 1 to Line 25)	834,712	395,477	7,125,223	18,307	(a) 8,373,719
27. Less expenses unpaid December 31, current year	42,252	20,019	1,408,514		1,470,785
28. Add expenses unpaid December 31, prior year	55,507	26,121	1,653,642		1,735,270
29. Amounts receivable relating to uninsured accident and health plans, prior year					
30. Amounts receivable relating to uninsured accident and health plans, current year					
31. Total expenses paid (Line 26 minus Line 27 plus Line 28 minus Line 29 plus Line 30)	847,967	401,579	7,370,351	18,307	8,638,204
DETAILS OF WRITE-INS					
2501. OTHER EXPENSES	300	2,812	46,078		49,190
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)	300	2,812	46,078		49,190

(a) Includes management fees of \$ to affiliates and \$ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U. S. Government bonds	(a)	
1.1 Bonds exempt from U. S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	184,941	372,992
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 2,741	2,741
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	187,682	375,733
11. Investment expenses		(g) 18,307
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Totals deductions (Line 11 through Line 15)		18,307
17. Net investment income (Line 10 minus Line 16)		357,426
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Line 1501 through Line 1503 plus Line 1598) (Line 15 above)		
(a) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.	(f) Includes \$ accrual of discount less \$ amortization of premium.	
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.	(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.	
(c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.	(h) Includes \$ interest on surplus notes and \$ interest on capital notes.	
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.	(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.	
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Cols. 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U. S. Government bonds					
1.1 Bonds exempt from U. S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	2,233		2,233	66,649	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	2,233		2,233	66,649	
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1) , cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Derivatives			
8. Other invested assets (Schedule BA)			
9. Receivable for securities			
10. Securities lending reinvested collateral assets			
11. Aggregate write-ins for invested assets			
12. Subtotals, cash and invested assets (Line 1 to Line 11)			
13. Title plants (for Title insurers only)			
14. Investment income due and accrued			
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection			
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
15.3 Accrued retrospective premiums			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers			
16.2 Funds held by or deposited with reinsured companies			
16.3 Other amounts receivable under reinsurance contracts			
17. Amounts receivable relating to uninsured plans			
18.1 Current federal and foreign income tax recoverable and interest thereon			
18.2 Net deferred tax asset			
19. Guaranty funds receivable or on deposit			
20. Electronic data processing equipment and software			
21. Furniture and equipment, including health care delivery assets			
22. Net adjustment in assets and liabilities due to foreign exchange rates			
23. Receivable from parent, subsidiaries and affiliates			
24. Health care and other amounts receivable	64,576	196,260	131,684
25. Aggregate write-ins for other than invested assets			
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 12 to Line 25)	64,576	196,260	131,684
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
28. Total (Line 26 and Line 27)	64,576	196,260	131,684
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page			
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)			
2501.			
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page			
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)			

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	18,607	18,407	18,500	18,386	18,789	222,690
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. Total	18,607	18,407	18,500	18,386	18,789	222,690
DETAILS OF WRITE-INS						
0601.....						
0602.....						
0603.....						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)						

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The financial statements of Physicians Health Plan of Mid-Michigan – FamilyCare (PHPMM-FC) are presented on the basis of accounting practices prescribed or permitted by the Michigan Office of Financial & Insurance Regulation (OFIR).

OFIR recognizes only statutory accounting practices prescribed or permitted by the state of Michigan for determining and reporting the financial condition and results of operations of an insurance company. The National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures Manual*, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Michigan.

A reconciliation of PHPMM-FC’s net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the state of Michigan is shown below:

	<u>2010</u>	<u>2009</u>
(1) Net Income, Michigan	\$ (253,981)	\$ 61,891
(2) State Prescribed Practices: None		
(3) State Permitted Practices: None		
(4) Net Income, NAIC SAP	<u>\$ (253,981)</u>	<u>\$ 61,891</u>
(5) Statutory Capital & Surplus, Michigan	\$6,576,443	\$6,632,091
(6) State Prescribed Practices: None		
(7) State Permitted Practices: None		
(8) Statutory Capital & Surplus, NAIC SAP	<u>\$6,576,443</u>	<u>\$6,632,091</u>

B. Use of Estimates

In preparing the financial statements in conformity with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures Manual*, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

1. Short term investments are stated at amortized cost or at market value depending upon the respective investment.
2. Bonds: Not applicable.
3. Common stocks are stated at market value.
4. Preferred stocks: Not applicable.
5. Mortgage loans: Not applicable.
6. Loan-backed securities: Not applicable.
7. Investments in subsidiaries, controlled and affiliated companies: Not applicable.
8. Investments in joint ventures, partnerships and limited liability companies: Not applicable.
9. Derivatives: Not applicable.
10. Premium deficiency reserves: Not applicable.
11. Estimating the liabilities for losses and loss/claim adjustment expenses: Estimates on unpaid losses are based upon the plan’s past experience, individual case estimates and an estimate for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in

NOTES TO FINANCIAL STATEMENTS

the period determined. Loss/claim adjustment expenses related to claims are accrued based on estimates of expenses to process those claims.

- 12. Capitalization policy: The Company has not modified its capitalization from the prior period.
- 13. Pharmaceutical rebate receivable estimates are based upon historical rebate trends, Plan membership and estimates from PHPMM-FC's pharmacy benefit manager.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

Not applicable.

3. BUSINESS COMBINATIONS AND GOODWILL

Not applicable.

4. DISCONTINUED OPERATIONS

Not applicable.

5. INVESTMENTS

- A. Mortgage Loans, including Mezzanine Real Estate Loans Not applicable.
- B. Debt Restructuring Not applicable.
- C. Reverse Mortgages Not applicable.
- D. Loan-Backed Securities Not applicable.
- E. Repurchase Agreements and/or Securities Lending Transactions Not applicable.
- F. Real Estate Not applicable.
- G. Low-Income Housing Tax Credit (LIHTC) Investments Not applicable.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

Not applicable.

7. INVESTMENT INCOME

All investment income due or accrued has been included in the filing.

8. DERIVATIVE INSTRUMENTS

Not applicable.

9. INCOME TAXES

PHPMM-FC is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

A, B, C, D, E, F, G

PHPMM-FC is solely owned by PHPMM, an HMO organized under the laws of the state of Michigan, and a controlled entity of Sparrow Health System (“SHS”).

Substantially all administrative services are provided by PHPMM. PHPMM-FC pays PHPMM for certain administrative expenses incurred by PHPMM, which totaled \$39,785,365 in 2010 and \$41,505,412 in 2009.

Amounts due from affiliates are \$0 at both 12/31/2010 and 12/31/2009. Amounts due to affiliates of \$974,838 at 12/31/2010, and \$671,360 at 12/31/2009, are related to amounts owed under the management agreements.

- H. Upstream & Downstream Deductions Not Applicable.

NOTES TO FINANCIAL STATEMENTS

I.	Investment in an SCA >10% of Admitted Assets	Not Applicable.
J.	Investments in Impaired SCAs	Not Applicable.
K.	Investment in a Foreign Insurance Subsidiary	Not Applicable.
L.	Investment in Downstream NonInsurance Holding Company	Not Applicable.

11. DEBT

Not applicable.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

Not applicable.

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

Not applicable.

14. CONTINGENCIES

A.	Contingent Commitments	Not Applicable.
B.	Assessments	Not Applicable.
C.	Gain Contingencies	Not Applicable.
D.	Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming From Lawsuits	Not Applicable.
E.	All Other Contingencies	Not Applicable.

15. LEASES

A.	Lessee Leasing Arrangements	Not Applicable.
B.	Lessor Leases	Not Applicable.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Not applicable.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

Not applicable.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

Not applicable.

19. DIRECT PREMIUM WRITTEN / PRODUCED BY MANAGING GENERAL AGENTS / THIRD PARTY ADMINISTRATORS

Not applicable.

NOTES TO FINANCIAL STATEMENTS

20. FAIR VALUE MEASUREMENTS

	Fair Value Measurement Using			Total
	Level 1	Level 2	Level 3	
Assets at fair value:				
Common stocks	\$ 5,090,621	\$ -	\$ -	\$ 5,090,621
Short-term investments	8,575,983	-	-	8,575,983
Total assets at fair value	\$13,666,604	\$ -	\$ -	\$13,666,604

The Level 1 fair values are established from quoted (unadjusted) market prices in active markets for identical assets and liabilities. Level 1 inputs are generally quotes for debt or equity securities actively traded in exchange or over-the-counter markets.

There are no assets or liabilities recorded at fair value on a non-recurring basis as of December 31, 2010 and 2009.

21. OTHER ITEMS

- A.

Extraordinary Items

Not applicable.
- B.

Troubled Debt Restructuring: Debtors

Not applicable.
- C.

Other Disclosures

Not applicable.
- D.

Uncollectible Assets

Not applicable.
- E.

Business Interruption Insurance Recoveries

Not applicable.
- F.

State Transferable Tax Credits

Not applicable.
- G.

Subprime Mortgage Related Risk Exposure

Not applicable.

22. EVENTS SUBSEQUENT

Not applicable.

23. REINSURANCE

A. Ceded Reinsurance Report

Section 1 General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company? Yes () No (x)

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. branches of such companies) which is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business? Yes () No (x)

Section 2 Ceded Reinsurance Report Part A.

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credit? Yes () No(x).

(2) Does the company have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsured of amounts which, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies? Yes () No (x).

Section 3 Ceded Reinsurance Report Part B.

(1) What is the estimated amount of the aggregate reduction in surplus, for agreements, not reflected in Section 2 above, of termination of all reinsurance agreements, by either party, as of the date of this

NOTES TO FINANCIAL STATEMENTS

statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0.00

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement to include policies or contracts which were in force or which had existing reserves established by the company as of the effective date of the agreement? Yes() No (x).

B. Uncollectible Reinsurance

Not applicable.

C. Commutation of Ceded Reinsurance

Not applicable.

24. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

Not applicable.

25. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The following table provides a reconciliation of beginning and ending reserves for claims unpaid and unpaid claim adjustment expenses, net of reinsurance recoverables:

	2010	2009
Balance – January 1	\$ 4,656	\$ 4,070
Add provision for claims occurring in:		
Current year	49,813	47,949
Prior year	(1,642)	(570)
Net incurred losses during the current year	48,171	47,379
Deduct payments for claims occurring in:		
Current year	47,391	43,640
Prior year	1,961	3,153
Net claim payments during the current year	49,352	46,793
Balance – December 31	\$ 3,475	\$ 4,656

26. INTERCOMPANY POOLING ARRANGEMENTS

Not applicable.

27. STRUCTURED SETTLEMENTS

Not applicable.

NOTES TO FINANCIAL STATEMENTS

28. HEALTH CARE RECEIVABLES (In 000’s)

Healthcare receivables include pharmacy rebates PHPMM-FC receives from third party vendors. These rebates are calculated using estimates based on per claim guarantee calculations, historical rebate trends and membership. Activity for the previous three years is summarized as follows:

A. Pharmacy Rebates

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2010	23	23	-	-	-
9/30/2010	23	23	55	-	-
6/30/2010	23	23	48	-	-
3/31/2010	122	122	73	-	-

12/31/2009	67	67	78	69	96
9/30/2009	59	59	60	-	30
6/30/2009	74	75	75	-	30
3/31/2009	61	63	63	-	30

12/31/2008	61	119	70	49	-
9/30/2008	41	56	-	56	-
6/30/2008	103	92	-	-	92
3/31/2008	80	61	-	61	-

NOTES TO FINANCIAL STATEMENTS

B. Psychotropic Rebates

Effective for service dates on or after April 1, 2010, medications within these drug classes will be added to the existing MHP 100% carve-out and billed at point-of-sale (POS) directly to the Michigan Department of Community Health's (MDCH) contracted Pharmacy Benefit Manager (PBM).

Quarter	Estimated Psychotropic Rebates as Reported on Financial Statements	Psychotropic Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2010	-	-	-	-	-
9/30/2010	-	-	-	-	-
6/30/2010	-	-	-	-	-
3/31/2010	265	265	265	-	-

12/31/2009	255	255	268	-	-
9/30/2009	320	259	187	71	-
6/30/2009	315	288	195	93	-
3/31/2009	320	345	254	91	-

12/31/2008	360	310	199	111	-
9/30/2008	375	363	363	-	-
6/30/2008	394	394	394	-	-
3/31/2008	416	416	416	-	-

C. Risk Share Receivable None.

29. PARTICIPATING POLICIES

Not applicable.

30. PREMIUM DEFICIENCY RESERVES

Not applicable.

31. ANTICIPATED SALVAGE AND SUBROGATION

Not applicable.

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes (X) No ()
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes (X) No () N/A ()
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes () No (X)
- 2.2

If yes, date of change:

.....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2008
- 3.2

State the as of date of the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2008
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/08/2010
- 3.4

By what department or departments?
MICHIGAN OFFICE OF FINANCIAL & INSURANCE REGULATION
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes (X) No () N/A ()
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes (X) No () N/A ()
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes () No (X)

4.12

renewals?

Yes () No (X)
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes () No (X)

4.22

renewals?

Yes () No (X)
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes () No (X)
- 5.2

If yes, provide name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....
.....
.....

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes () No (X)
- 6.2

If yes, give full information:

.....
.....
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes () No (X)
- 7.2

If yes,

7.21

State the percentage of foreign control;

..... %

7.22

State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g. individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity
.....
.....
.....

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes () No (X)

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....
.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes () No (X)

8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....
.....
.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
ERNST & YOUNG LLP, SUITE 1000, ONE KENNEDY SQUARE, 777 WOODWARD AVENUE, DETROIT, MICHIGAN 48226
.....

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes () No (X)

10.2 If the response to 10.1 is yes, provide information related to this exemption:
.....
.....

10.3 Has the insurer been granted any exemptions to the audit committee requirements as allowed in Section 14H of the Annual Financial Model Regulation, or substantially similar state law or regulation? Yes () No (X)

10.4 If the response to 10.3 is yes, provide information related to this exemption:
.....
.....

10.5 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes () No (X)

10.6 If the response to 10.5 is yes, provide information related to this exemption:
.....
.....

10.7 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes (X) No ()

10.8 If the response to 10.7 is no, please explain
.....
.....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
GREG HERRLE, FSA, CONSULTING ACTUARY WITH MILLIMAN, 15800 BLUEMOUND ROAD, SUITE 400, BROOKFIELD, WISCONSIN 53005
.....

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes () No (X)

12.11 Name of real estate holding company
.....
.....

12.12 Number of parcels involved
.....

12.13 Total book/adjusted carrying value \$
.....

12.2 If yes, provide explanation
.....
.....

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
.....
.....

13.2 Does this statement contain all business transacted for the reporting entity through its United States branch on risks wherever located? Yes () No ()

13.3 Have there been any changes made to any of the trust indentures during the year? Yes () No ()

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes () No () N/A (X)

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code. Yes (X) No ()

14.11 If the response to 14.1 is No, please explain:
.....
.....

14.2 Has the code of ethics for senior managers been amended? Yes () No (X)

14.21 If the response to 14.2 is Yes, provide information related to amendment(s).
.....
.....

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes () No (X)

14.31 If the response to 14.3 is Yes, provide the nature of any waiver(s).
.....
.....

GENERAL INTERROGATORIES

BOARD OF DIRECTORS

15.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes (X) No ()
16.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes (X) No ()
17.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees, or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes (X) No ()

FINANCIAL

18.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes () No (X)
- 19.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

19.11

To directors or other officers

\$

19.12

To stockholders not officers

\$

19.13

Trustees, supreme or grand (Fraternal only)

\$
- 19.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

19.21

To directors or other officers

\$

19.22

To stockholders not officers

\$

19.23

Trustees, supreme or grand (Fraternal only)

\$
- 20.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes () No (X)
- 20.2

If yes, state the amount thereof at December 31 of the current year:

20.21

Rented from others

\$

20.22

Borrowed from others

\$

20.23

Leased from others

\$

20.24

Other

\$
- 21.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes () No (X)
- 21.2

If answer is yes:

21.21

Amount paid as losses or risk adjustment

\$

21.22

Amount paid as expenses

\$

21.23

Other amounts paid

\$
- 22.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes () No (X)
- 22.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$

INVESTMENT

- 23.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)

Yes (X) No ()
- 23.2

If no, give full and complete information relating thereto:

.....

.....
- 23.3

For the security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)

.....

.....
- 23.4

Does the Company's security lending program meet the requirements for a conforming program as outlined in Risk-Based Capital Instructions?

Yes () No () N/A (X)
- 23.5

If answer to 23.4 is YES, report amount of collateral for conforming programs.

\$
- 23.6

If answer to 23.4 is NO, report amount of collateral for other programs.

\$
- 23.7

Does your security lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes () No () N/A (X)
- 23.8

Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes () No () N/A (X)
- 23.9

Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes () No () N/A (X)

GENERAL INTERROGATORIES

INVESTMENT

- 24.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 20.1 and 23.3)
- Yes (X) No ()
- 24.2 If yes, state the amount thereof at December 31 of the current year:
- 24.21 Subject to repurchase agreements

24.22 Subject to reverse repurchase agreements

24.23 Subject to dollar repurchase agreements

24.24 Subject to reverse dollar repurchase agreements

24.25 Pledged as collateral

24.26 Placed under option agreements

24.27 Letter stock or securities restricted as to sale

24.28 On deposit with state or other regulatory body

24.29 Other
- \$

\$

\$

\$

\$

\$

\$

\$ 1,156,270

\$

24.3 For category (24.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....

- 25.1 Does the reporting entity have any hedging transactions reported on Schedule DB?
- Yes () No (X)
- 25.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.
- Yes () No () N/A (X)
- 26.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?
- Yes () No (X)
- 26.2 If yes, state the amount thereof at December 31 of the current year.
- \$
27. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds, and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III General Examination Considerations, F - Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?
- Yes (X) No ()
- 27.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
BNY MELLON	ONE MELLON CENTER, PITTSBURGH, PA 15259-0001
.....
.....

27.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation (s)
.....
.....
.....

27.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?

Yes () No (X)

27.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....
.....
.....

27.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
N/A	SEI	1 FREEDOM DRIVE, OAKS, PA 19456
.....
.....

GENERAL INTERROGATORIES

28.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes () No (X)

28.2 If yes , complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....
.....
.....
.....
Line 28. 2998 from Overflow page
Line 28. 2999 TOTAL (9999999)

28.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....
.....
.....

29. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-) , or Fair Value over Statement (+)
29.1 Bonds	\$ 8,575,983	\$ 8,575,983	\$
29.2 Preferred stocks	\$	\$	\$
29.3 Totals	\$ 8,575,983	\$ 8,575,983	\$

29.4 Describe the sources or methods utilized in determining the fair values:
NAIC ACCOUNTING PRACTICES
.....

30.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes () No (X)

30.2 If the answer to 30.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes () No (X)

30.3 If the answer to 30.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:
PRICE PUBLISHED IN THE NAIC VALUATION OF SECURITIES
.....

31.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes (X) No ()

31.2 If no, list exceptions:
.....
.....

GENERAL INTERROGATORIES

OTHER

32.1 Amount of payments to Trade Associations , service organizations and statistical or Rating Bureaus, if any? \$

32.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations , service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

33.1 Amount of payments for legal expenses, if any? \$ 1,277

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
FOSTER SWIFT COLLINS AND SMITH	\$ 1,277
.....	\$
.....	\$
.....	\$

34.1 Amount of payments for expenditures in connection with matters before legislative bodies , officers or departments of government, if any? \$

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies , officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes () No (X)

1.2

If yes, indicate premium earned on U.S. business only.

\$

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding:

.....

.....

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

1.62

Total incurred claims

\$

1.63

Number of covered lives

.....

All years prior to most current three years:

1.64

Total premium earned

\$

1.65

Total incurred claims

\$

1.66

Number of covered lives

.....

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

1.72

Total incurred claims

\$

1.73

Number of covered lives

.....

All years prior to most current three years:

1.74

Total premium earned

\$

1.75

Total incurred claims

\$

1.76

Number of covered lives

.....

2.

Health Test:

2.1

Premium Numerator

\$ 54,827,945

\$ 54,158,471

2.2

Premium Denominator

\$ 54,827,945

\$ 54,158,471

2.3

Premium Ratio (2.1 / 2.2)

..... 1.000

..... 1.000

2.4

Reserve Numerator

\$ 3,540,864

\$ 4,763,483

2.5

Reserve Denominator

\$ 3,540,864

\$ 4,763,483

2.6

Reserve Ratio (2.4 / 2.5)

..... 1.000

..... 1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes () No (X)

3.2

If yes, give particulars:

.....

.....

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes (X) No ()

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes () No (X)

5.1

Does the reporting entity have stop-loss reinsurance?

Yes (X) No ()

5.2

If no, explain:

.....

.....

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$ 300,000

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental & Vision

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

HOLD HARMLESS PROVISION IN PROVIDER CONTRACTS

STATE REQUIRED RESERVE & INSOLVENCY CLAUSE IN REINSURANCE AGREEMENT

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes (X) No ()

7.2

If no, give details:

.....

.....

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

..... 1,123

8.2

Number of providers at end of reporting year

..... 1,168

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes () No (X)

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

.....

9.22

Business with rate guarantees over 36 months

.....

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

10.1

Does the reporting entity have Incentive Pool, Withhold, or Bonus Arrangements in its provider contracts?

Yes (X) No ()

10.2

If yes:

10.21

Maximum amount payable bonuses

\$

10.22

Amount actually paid for year bonuses

\$

10.23

Maximum amount payable withholds

\$

10.24

Amount actually paid for year withholds

\$

11.1

Is the reporting entity organized as:

11.12

A Medical Group / Staff Model,

Yes () No (X)

11.13

An Individual Practice Association (IPA) , or

Yes (X) No ()

11.14

A Mixed Model (combination of above)?

Yes () No (X)

11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

Yes (X) No ()

11.3

If yes, show the name of the state requiring such net worth.

..... Michigan

11.4

If yes, show the amount required.

\$ 4,295,990

11.5

Is this amount included as part of a contingency reserve in stockholder's equity?

Yes () No (X)

11.6

If the amount is calculated, show the calculation

200% OF RBC AUTHORIZED CONTROL LEVEL= 2 TIMES 2,147,995 = 4,295,990.

1
Name of Service Area
COUNTIES OF: CLINTON, EATON, INGHAM
COUNTIES OF: IONIA, SHIAWASSEE
.....

13.1

Do you act as a custodian for health savings accounts?

Yes () No (X)

13.2

If yes, please provide the amount of custodial funds held as of the reporting date.

\$

13.3

Do you act as an administrator for health savings accounts?

Yes () No (X)

13.4

If yes, please provide the balance of the funds administered as of the reporting date.

\$

GENERAL INTERROGATORIES - Line 12 (continued)

1 Name of Service Area	
Name of Service Area	
CLINTON COUNTY	
EATON COUNTY	
INGHAM COUNTY	
IONIA COUNTY	
SHIAWASSEE COUNTY	
12 - Name of Service Area	

FIVE - YEAR HISTORICAL DATA

	1	2	3	4	5
	2010	2009	2008	2007	2006
BALANCE SHEET (Page 2 and Page 3)					
1. Total admitted assets (Page 2, Line 28)	12,880,595	14,307,790	11,362,794	16,475,550	13,298,294
2. Total liabilities (Page 3, Line 24)	6,304,152	7,675,699	5,496,576	9,829,244	7,193,873
3. Statutory surplus	4,295,990	4,912,642	3,989,132	1,686,911	3,574,042
4. Total capital and surplus (Page 3, Line 33)	6,576,443	6,632,091	5,866,218	6,646,306	6,104,421
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	54,827,945	53,599,455	43,721,214	39,347,781	33,540,596
6. Total medical and hospital expenses (Line 18)	47,086,173	46,364,720	39,644,280	35,460,380	30,918,281
7. Claims adjustment expenses (Line 20)	1,230,189	1,193,250	1,103,364	1,004,490	1,051,638
8. Total administrative expenses (Line 21)	7,125,224	6,077,613	3,156,728	2,873,851	2,697,958
9. Net underwriting gain (loss) (Line 24)	(613,641)	36,128	183,158	9,060	598,586
10. Net investment gain (loss) (Line 27)	359,660	98,019	167,040	534,854	516,146
11. Total other income (Line 28 plus Line 29)					441,186
12. Net income or (loss) (Line 32)	(253,981)	61,891	16,118	543,914	358,746
CASH FLOW (Page 6)					
13. Net cash from operations (Line 11)	(974,815)	2,133,823	2,210,211	1,196,550	966,322
RISK-BASED CAPITAL ANALYSIS					
14. Total adjusted capital	6,576,443	6,632,091	5,866,218	6,646,306	6,104,421
15. Authorized control level risk-based capital	2,147,995	2,456,321	1,994,566	1,867,447	2,087,169
ENROLLMENT (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	18,789	18,607	16,534	16,238	16,515
17. Total members months (Column 6, Line 7)	222,690	213,327	197,318	200,397	212,075
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Line 2, Line 3, and Line 5) X 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Line 3 plus Line 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	85.9	85.6	85.6	84.5	86.5
20. Cost containment expenses	1.5	1.5	1.6	0.2	0.1
21. Other claims adjustment expenses	0.7	0.7	0.8	2.2	2.8
22. Total underwriting deductions (Line 23)	101.1	99.0	94.8	93.7	95.5
23. Total underwriting gain (loss) (Line 24)	(1.1)	0.1	0.4		1.7
UNPAID CLAIMS ANALYSIS (U and I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Column 5)	2,016,844	3,366,047	4,930,263	5,219,250	4,030,512
25. Estimated liability of unpaid claims of prior year (Line 13, Column 6)	4,028,219	3,252,229	5,224,115	5,260,053	5,436,122
INVESTMENTS IN PARENT, SUBSIDIARIES, AND AFFILIATES					
26. Affiliated bonds (Schedule D Summary, Line 12, Column 1)					
27. Affiliated preferred stocks (Schedule D Summary, Line 18, Column 1)					
28. Affiliated common stocks (Schedule D Summary, Line 24, Column 1)					
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Column 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Line 26 to Line 31					

Note: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes () No ()

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1		Direct Business Only Year to Date							
	Active Status		2	3	4	5	6	7	8	9
			Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Column 2 Through Column 7	Deposit-Type Contracts
1. Alabama	AL	N								
2. Alaska	AK	N								
3. Arizona	AZ	N								
4. Arkansas	AR	N								
5. California	CA	N								
6. Colorado	CO	N								
7. Connecticut	CT	N								
8. Delaware	DE	N								
9. District of Columbia	DC	N								
10. Florida	FL	N								
11. Georgia	GA	N								
12. Hawaii	HI	N								
13. Idaho	ID	N								
14. Illinois	IL	N								
15. Indiana	IN	N								
16. Iowa	IA	N								
17. Kansas	KS	N								
18. Kentucky	KY	N								
19. Louisiana	LA	N								
20. Maine	ME	N								
21. Maryland	MD	N								
22. Massachusetts	MA	N								
23. Michigan	MI	L			54,932,779				54,932,779	
24. Minnesota	MN	N								
25. Mississippi	MS	N								
26. Missouri	MO	N								
27. Montana	MT	N								
28. Nebraska	NE	N								
29. Nevada	NV	N								
30. New Hampshire	NH	N								
31. New Jersey	NJ	N								
32. New Mexico	NM	N								
33. New York	NY	N								
34. North Carolina	NC	N								
35. North Dakota	ND	N								
36. Ohio	OH	N								
37. Oklahoma	OK	N								
38. Oregon	OR	N								
39. Pennsylvania	PA	N								
40. Rhode Island	RI	N								
41. South Carolina	SC	N								
42. South Dakota	SD	N								
43. Tennessee	TN	N								
44. Texas	TX	N								
45. Utah	UT	N								
46. Vermont	VT	N								
47. Virginia	VA	N								
48. Washington	WA	N								
49. West Virginia	WV	N								
50. Wisconsin	WI	N								
51. Wyoming	WY	N								
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate Other Alien	OT	X X X								
59. Subtotal		X X X			54,932,779				54,932,779	
60. Reporting entity contributions for Employee Benefit Plans		X X X								
61. Total (Direct Business)	(a)	1			54,932,779				54,932,779	
DETAILS OF WRITE-INS										
5801.										
5802.										
5803.										
5898.	Summary of remaining write-ins for Line 58 from overflow page									
5899.	Total (Line 5801 through Line 5803 plus Line 5898) (Line 58 above)									
Explanation of basis of allocation by states, premiums by state, etc.										
ALL PREMIUMS WRITTEN IN THE STATE OF MICHIGAN										

(a) Insert the number of "L" responses except for Canada and Other Alien.

ANNUAL STATEMENT FOR THE YEAR 2010 OF THE PHYSICIANS HEALTH PLAN OF MID-MICHIGAN FAMILYCARE
SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

	NAIC Group Code	Group Name	NAIC Company Code	State of Domicile	FEI Number	Name of Company
1	3408	SPARROW HEALTH SYSTEM		MI	38-6091657	SPARROW WOMEN'S HOSPITAL ASSOCIATION
2	3408	SPARROW HEALTH SYSTEM		MI	38-1490180	CARSON CITY HOSPITAL
3	3408	SPARROW HEALTH SYSTEM		MI	38-3218134	IONIA COUNTY MEMORIAL HOSPITAL
4	3408	SPARROW HEALTH SYSTEM		MI	38-1358172	CLINTON MEMORIAL HOSPITAL
5	3408	SPARROW HEALTH SYSTEM		MI	38-6100687	SPARROW FOUNDATION
6	3408	SPARROW HEALTH SYSTEM		MI	38-2594856	PHYSICIANS HEALTH NETWORK
7	3408	SPARROW HEALTH SYSTEM		MI	38-2543305	SPARROW HOME CARE
8	3408	SPARROW HEALTH SYSTEM		MI	14-1885340	SPARROW SPECIALTY HOSPITAL
9	3408	SPARROW HEALTH SYSTEM		MI	38-1360584	E.W. SPARROW HOSPITAL ASSOCIATION
10	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI	38-2852340	MID-MICHIGAN MRI, INC
11	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI	38-3146604	SPARROW PHYSICIANS HEALTH NETWORK
12	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI	38-1969044	GRADUATE MEDICAL EDUCATION, INC
13	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		PREMIER
14	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		CAYMICH INSURANCE COMPANY, LTD
15	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		FINCOR HOLDINGS, INC
16	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		NORTH GRAND RIVER COOPERATIVE
17	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI	38-2566150	LANSING MEDICAL DENTAL BUILDING
18	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI	38-2635630	MEDICAL CENTER WEST CONDO ASSOCIATION
19	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI	38-2608097	PHARMACY PLUS
20	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		SPARROW MEDICAL GROUP
21	3408	E.W. SPARROW HOSPITAL ASSOCIATION		MI		TCI DIVISION
22	3408	SPARROW HEALTH SYSTEM	95849	MI	38-2356288	PHYSICIANS HEALTH PLAN OF MID-MICHIGAN
23	3408	PHYSICIANS HEALTH PLAN OF MID-MICHIGAN		MI	38-3361367	PHYSICIANS HEALTH PLAN SHARED SVCS ORG
24	3408	PHYSICIANS HEALTH PLAN OF MID-MICHIGAN		MI	38-3344741	PHPMM TPA
25	3408	PHYSICIANS HEALTH PLAN OF MID-MICHIGAN	11537	MI	36-4497604	PHPMM FAMILYCARE
26	3408	PHYSICIANS HEALTH PLAN OF MID-MICHIGAN	12916	MI	20-5565219	PHPMM INSURANCE COMPANY
27	3408	SPARROW HEALTH SYSTEM		MI	38-2595963	SPARROW DEVELOPMENT, INC
28	3408	SPARROW DEVELOPMENT, INC		MI		ST LAWRENCE OR MANAGEMENT COMPANY, LLC
29	3408	SPARROW DEVELOPMENT, INC		MI		MICHIGAN ATHLETIC CLUB
30	3408	SPARROW DEVELOPMENT, INC		MI		SPARROW PRACTICE MANAGEMENT COMPANY
31	3408	SPARROW DEVELOPMENT, INC		MI	38-3243561	SPARROW REGIONAL MEDICAL SUPPLY

Health

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